

February 15, 2012

**ITEM NO. B2**

**AUTHORIZATION TO 1) SUBMIT A MIXED-FINANCE PROPOSAL, EVIDENTIARIES, AND DISPOSITION APPLICATION TO THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD); 2) COMMIT UP TO \$15,500,000 CHICAGO HOUSING AUTHORITY (CHA) FUNDS FOR THE LAKEFRONT PHASE II RENTAL DEVELOPMENT; 3) EXECUTE AN INITIAL GROUND LEASE WITH STATEWAY COMMUNITY PARTNERS FOR THE LAKEFRONT PROPERTIES LAND COMPRISING THE PHASE II RENTAL SITE; AND 4) EXECUTE AND DELIVER SUCH OTHER DOCUMENTS AND PERFORM SUCH ACTIONS AS MAY BE NECESSARY OR APPROPRIATE TO IMPLEMENT THE FOREGOING.**

To the Honorable Board of Commissioners:

**RECOMMENDATION**

It is recommended that the Board of Commissioners authorize the Chief Executive Officer or his designee to: 1) Submit a Mixed-Finance Proposal, Evidentiaries, and Disposition Application to the United States Department of Housing and Urban Development (HUD); 2) Commit up to \$15,500,000 of CHA funds to the Lakefront Phase II Rental development; 3) Execute an initial Ground Lease with Stateway Community Partners for the Lakefront Properties land comprising the Phase II rental site; and 4) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

**FUNDING**

Not to Exceed \$15,500,000 of General or Other Funds

**Redevelopment**

**M/W/DBE Participation:**

Direct: 40% MBE /WBE /DBE

Indirect: \_\_\_ %MBE \_\_\_ %WBE \_\_\_ %DBE

Waiver \_\_\_ (Yes/No)

**Section 3:**

( 20 ) Hiring ( ) Subcontracting ( ) Other Economic Opportunities

## **EXPLANATION**

**Program Overview:** Lakefront Phase II is the final phase of redevelopment of Lakefront Properties, a site formerly comprised of four public housing high-rise buildings with a total of 604 units. The redevelopment is bounded by 40<sup>th</sup> Street on the North, 42<sup>nd</sup> Place on the South, Lake Park Avenue on the West and the Metra railway line on the East. A master plan was accepted by the CHA Board of Commissioners in January 2002 to build Lake Park Crescent, a new mixed-income redevelopment in the Oakland community area on the south side of Chicago.

When completed, the new development will house a total of 485 units including 120 public housing units. The developer of Lake Park Crescent Phase I constructed the first 216 units, of which 148 rental units were completed in 2005, and the 68 remaining units in Phase IA For Sale were completed in 2008. CHA has received a total of 73 public housing units in Phase I and Phase IA. The developer of the Phase II site will construct the remaining 269 units including 132 units of mixed income rental housing and 137 units of for sale housing. This resolution relates to the final rental phase and the final for-sale phase will be presented at a later date.

**Development Entities:** Davis Lakefront LLC is the master developer of the Lakefront Properties Phase II development and Davis Associates Managers LLC is the sponsor. The Phase II Rental development will be owned by Lakefront Phase II, LLC. Lakefront Phase II, LLC is comprised of Lakefront Phase II Manager, LLC as the Managing Member and Centerline Investor LP III, LLC as the Investor Member. The investor member will own 99.98% of Lakefront Phase II, LLC. At the closing for this transaction, the CHA Ground Lease will initially be entered into between CHA and Stateway Community Partners, a 501(c)(3) service provider and non-profit member of Lakefront Phase II, LLC. Simultaneously at the closing, the Ground Lease will be assigned by Stateway Community Partners to Lakefront Phase II, LLC, the Owner Entity for the rental development. Thereafter, Lakefront Phase II, LLC will assume all responsibilities, obligations and rights as tenant under the Ground Lease.

**Lakefront Phase II Rental Development Summary:** The Lakefront Phase II Rental development will be comprised of 47 public housing, 51 affordable (LIHTC), and 34 market-rate units. The chart below identifies income restrictions by unit type. Of the 47 units set aside for public housing residents, there will be 16 one bedroom, 14 two bedroom, and 17 three bedroom units.

| Public Housing |            |            | Affordable<br>- LIHTC |            | Market<br>Rate | Total<br>Units |
|----------------|------------|------------|-----------------------|------------|----------------|----------------|
| 50%<br>AMI     | 60%<br>AMI | 80%<br>AMI | 50%<br>AMI            | 60%<br>AMI | unrestricted   |                |
| 24             | 18         | 5          | 45                    | 6          | 34             | 132            |
| 47             |            |            | 51                    |            |                |                |

The overall Phase II Rental site boundaries are 40th Place to the north, Lake Park Avenue to the west, Oakenwald Avenue to the east, and 42<sup>nd</sup> Place to the south. The redevelopment was designed to reincorporate smaller, pedestrian-friendly street blocks and architecture compatible

with that of the surrounding neighborhood. As part of the redevelopment, new streets, alleys, and utilities are being constructed by the Chicago Department of Transportation to support the new housing development. The building features in Phase II continue this objective by complementing what was constructed in Phase I.

**Construction:**

This new construction rental phase will contain a total of thirteen structures including one (1) eight-story 81 unit steel and concrete midrise building and 51 units in 7 three-flats and 5 six-flats offered through four different building types. The building and unit types will be mixed throughout each block, with a solid mix of ACC, affordable, and market rental units in each block, in efforts to create a strong, mixed income rental community. Each building type and unit will be constructed with the same quality and materials so that each unit will be indistinguishable among income levels.

The buildings will be constructed of brick masonry with full brick exteriors on all sides. The façades are Norman brick with structural architectural cast concrete lintels, architectural precast concrete sills and trim. Windows are aluminum or aluminum clad wood with insulated tinted glazing and low-E coating. The buildings are designed to exceed the current energy guidelines of the City of Chicago. The midrise building will be LEED certified and includes a green roof, rain gardens, and energy/ efficient water fixtures. The midrise will include a laundry room with 14 washers and 10 dryers, as well as a 750 square foot community room. All low-rise units will have individual washers and dryers. All units will have at least one parking space, including an indoor garage for the 81 unit midrise building.

**Financing:** The total development budget of the residential portion of this Phase II will be approximately \$50,909,100 and is expected to be funded by the approximate following sources of permanent financing:

- (1) **\$13,925,000 CHA Loan:** This loan is projected to be funded by a combination of approximately \$6,880,090 CHA Capital Funds and \$7,044,910 CHA Development Funds. The loan term will be for approximately 42 years, inclusive of the construction period, with an interest rate of up to 3% and repayment will be deferred until maturity.
- (2) **\$28,173,000 LIHTC Equity:** The LIHTC investor, Centerline Capital, is projected to provide tax credit equity in the approximate amount of \$28,173,000. Equity will be generated by the syndication of approximately \$3,130,656 annual federal LIHTC from the City of Chicago's Housing and Economic Development (HED). The equity amount is based on a purchase price of \$0.90 per dollar for the ten year credit allocation.
- (3) **\$5,000,000 City of Chicago HOME Loan:** City of Chicago's HED is projected to loan approximately \$5,000,000 to the project with a term of 42 years, inclusive of the construction period, with an interest rate of up to 3% and repayment will be deferred until maturity.
- (4) **\$2,450,000 First Mortgage:** U.S. Bank is projected to provide a forward commitment for the permanent first mortgage loan in the approximate amount of \$2,450,000 with a fixed

interest rate to be locked at the time of closing presently estimated at 8.16%. The loan is proposed to have a 15-year term and 30-year amortization period.

**(5) \$783,000 Illinois Affordable Housing Tax Credit (Donation Tax Credit) Equity Loan:**

The City of Chicago's HED has allocated donation tax credits which are projected for purchase by Centerline Capital at a price of approximately \$0.87 per credit. The proceeds will be loaned to the project by CHA. The loan term will be approximately 42 years, inclusive of the construction period, with an interest rate of up to 3% and repayment will be deferred until maturity.

**(6) \$568,000 DCEO Grant Funds (Capital Contribution):** The Illinois Department of Commerce and Economic Opportunity (DCEO) is expected to allocate \$568,000 of its Energy Efficient Affordable Housing Construction Program Funds. The funds will come in to the project as a Capital Contribution or as a Sponsor Loan.

**(7) \$10,100 Member Capital Contribution**

During the construction period, U.S. Bank will provide a construction loan up to \$21,500,000 with an anticipated interest rate based on the one-month LIBOR rate plus 2.75% for a term of 24 months with a six month extension. The construction loan will be repaid from equity.

Additional project sources include \$780,560 of CHA Development Funds for Gautreaux Development Manager fees and costs and Initial Operating Deficit Reserve. Demolition grant funds were previously used for demolition in 1996. Approximately \$3,987,579 of Capital Funds will be used to pay site remediation and extraordinary site work costs which will be authorized by a separate Board action. Additionally, CHA Administration will be paid from these sources.

Based on the foregoing, it is in the best interest of the Chicago Housing Authority to: 1) Submit a Mixed-Finance Proposal, Evidentiaries, and Disposition Application to the United States Department of Housing and Urban Development (HUD); 2) Commit up to \$15,500,000 of CHA funds to the Lakefront Phase II Rental development; and 3) Execute an initial Ground Lease with Stateway Community Partners for the Lakefront Properties land comprising the Lakefront Phase II rental site; and 4) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.



**RESOLUTION NO. 2012-CHA-10**

**WHEREAS,** the Board of Commissioners has reviewed the Board Letter dated, February 15, 2012 requesting authorization to: 1) Submit a Mixed-Finance Proposal, Evidentiaries, and Disposition Application to the United States Department of Housing and Urban Development (HUD); 2) Commit up to \$15,500,000 Chicago Housing Authority (CHA) funds to the Lakefront Phase II Rental development; 3) Execute an initial Ground Lease with Stateway Community Partners for the Lakefront Properties land comprising the Phase II rental site; and 4) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

**THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY**

**THAT,** the Board of Commissioners authorizes the Chief Executive Officer or his designee to: 1) Submit a Mixed-Finance Proposal, Evidentiaries, and Disposition Application to the United States Department of Housing and Urban Development (HUD); 2) Commit up to \$15,500,000 of Chicago Housing Authority (CHA) funds to the Lakefront Phase II Rental development; 3) Execute an initial Ground Lease with Stateway Community Partners for the Lakefront Properties land comprising the Phase II rental site; and 4) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

